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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 002952

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DEPARTMENT OF COMMERCE FOR SECRETARY GUTIERREZ
DEPARTMENT OF COMMERCE FOR DEPUTY CHIEF OF STAFF SCHWAN
DEPARTMENT OF COMMERCE FOR ITA/MAC PHALE, COBERG
DEPARTMENT OF COMMERCE FOR ITA/USGCS/DG HERNANDEZ
NEA/ARP FOR JACKSON

E.O. 12958: DECL: 07/22/2016

TAGS: [BEXP](#) [EINV](#) [KIPR](#) [OVIP](#) [PREL](#) [KU](#)

SUBJECT: COMMERCE SECRETARY GUTIERREZ DISCUSSES TIFA, IRAQ,
AND LEBANON WITH KUWAITI GOVERNMENT OFFICIALS

Classified By: CDA Matt Tueller for reason 1.4 (b) and (d)

11. (U) SUMMARY: On July 18, Commerce Secretary Gutierrez met with new Kuwaiti Minister of Commerce and Industry Al-Hajeri to discuss bi-lateral trade issues and to congratulate Al-Hajeri on his appointment as Minister. The meeting focused on moving forward the stalled Trade and Investment Framework Agreement (TIFA), economic reforms, and the vision for a regional Free Trade Agreement. Secretary Gutierrez also pressed the Minister for action on trade issues adversely affecting U.S. business interests in Kuwait including tax policy, IPR, industrial standards, and privatization. Minister Al-Hajeri explained that progress on some of these issues was imminent.

12. (U) The Commerce Secretary then met with the Kuwaiti Amir to urge progress on TIFA and discuss regional issues including Iraq and Lebanon. Secretary Gutierrez spoke of the special relationship between the two countries and urged the GOK to implement economic and trade reforms with the objective of an eventual Free Trade Agreement. Discussion on Iraq focused on the problems of corruption and insecurity and the broader need to build a strong foundation for the economy. On Lebanon, the Amir urged the USG to reign in the Israel Defense Forces and warned that a continuation of the violence would lead to more terrorism. He also emphasized the importance of preventing Iran from obtaining nuclear weapons. This meeting was also attended by the Crown Prince, the Commerce Minister, the Kuwaiti Assistant Undersecretary of Commerce, and senior economic advisors to the Amir. END SUMMARY.

Vision for Expanded Trade and Open Markets

13. (C/NF) In his July 18 meeting with Commerce Secretary Gutierrez, Minister of Commerce and Industry Al-Hajeri declared that his top priority was to enhance and sustain economic growth in Kuwait. Secretary Gutierrez responded that this could be achieved by establishing the goal of a Middle East Free Trade Agreement by 2013. Secretary Gutierrez reminded the Minister that FTAs were already in place in Bahrain and Jordan, and that an FTA with Morocco was pending. He emphasized, however, that an FTA was a highly technical agreement involving very specific issues and not merely a conceptual or subjective exercise. The Commerce Secretary called on the Minister to revive the stalled TIFA

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talks as the first step towards an FTA. The Kuwaiti Assistant Undersecretary said that September TIFA talks coinciding with the Amir's visit to Washington would be an excellent opportunity to push the process forward in anticipation of subsequent FTA negotiations.

Trade Issues Affecting U.S. Business Interests

14. (SBU) Secretary Gutierrez raised several market access issues continuing to plague U.S. business interests in Kuwait including non-transparent and arbitrary taxation, poor intellectual property rights protection, failure to adhere to industrial standards, and insufficient privatization. On taxation, Gutierrez relayed that U.S. businesses were confused over who was to be taxed and how taxes were assessed. The Minister responded that the Amir had submitted a resolution to cancel the taxing of commissions to local commercial agents and that the GOK was in the process of lowering its maximum tax rate from 55% to 15% pending parliamentary approval. On IPR, Secretary Gutierrez acknowledged that significant progress had been made but said that more needed to be done especially in the area of optical media. He urged the GOK to pass proposed IPR legislation. On standards, the Commerce Secretary urged the GOK to align its standards to international norms and to provide greater transparency in standards application and enforcement. The Minister responded that Kuwait had eliminated its pre-shipment inspection and verification regime and hired an Australian consultant to help develop a new standards regime for Kuwait that would be GCC and ISO compliant.

Kuwaiti Amir and Commerce Secretary Discuss Iraq, Lebanon

15. (C/NF) In his separate meeting with the Amir, Secretary

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Gutierrez shared observations from his visit to Iraq on July

17. The Commerce Secretary described a "lack of hope and opportunity" and outlined five imperatives for Iraq: (1) privatization, (2) a market-based food production and distribution system, (3) a strengthened banking system, (4) civil and commercial infrastructure, and (5) rooting out corruption. He said that corruption was the most significant problem in Iraq, and that progress on each of these fronts could serve to hasten the day that Iraq could stand on its own, allowing coalition forces to withdraw. The Amir responded that violence and corruption made it difficult for the GOK to assist Iraq, adding that Iraq is a country rich in resources but torn apart by sectarian divisions. He said that the failure of the GOI to establish clear, consistent priorities and detailed proposals for reconstruction projects hampered Kuwait's ability to help. The Amir and the Commerce Secretary agreed that corruption, violence, and a lack of

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jobs had driven many talented Iraqis out of the country and delivered others into the arms of the insurgency. The Amir noted the need for regional cooperation and concluded by saying, "Inshallah, it's not too late to fix Iraq."

16. (C/NF) On Lebanon, the Amir urged the USG to oblige Israel to stand down. He made no mention of Hizballah. Stating that the G-8 had not put enough pressure on Israel, the Amir added that the Lebanese PM had called him the previous day to say that Israel was striking Lebanese military assets. The Amir warned that if the conflict continued, "hatred will prevail" and breed more terrorism. When asked how Syria and Iran could be dissuaded from escalating the conflict, the Amir replied that the USG should worry about Iran's nuclear weapons first.

17. (U) Secretary Gutierrez departed Post before clearing this cable.

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